

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L LISBON 6916

E.O. 11652: GDS

TAGS: BGEN, PO

SUBJECT: U.S. BUSINESSMEN'S GROUP MEETING

REF LISBON 6102

SUMMARY: REGULAR MONTHLY MEETING OF U.S. BUSINESSMEN'S GROUP
TOOK PLACE NOVEMBER 19 WITH AVERAGE ATTENDANCE. BUSINESSMEN WERE
DISCOURAGED AND PESSIMISTIC ABOUT GENERAL SITUATION AND CONDITION
OF MOST FIRMS CONTINUES TO DETERIORATE WITH SOME DISCUSSING
CLOSURE DECISIONS. END SUMMARY.

1. BUSINESSMEN PESSIMISTIC ABOUT ABILITY OF VI GOVERNMENT TO
GOVERN OR EVEN TO REMAIN IN POWER. AMONG PRINCIPAL CAUSES OF
THIS CONCERN ARE TERMS OF SETTLEMENT OF CONSTRUCTION WORKERS'
STRIKE, SEIGE OF PRIME MINISTER AND CONSTITUENT ASSEMBLY, RENEWED
AGGRESSIVENESS OF LABOR UNIONS, RECENT STATEMENTS OF OTELO
SARAIVA DE CAVALHO AND APPARENT DISINTEGRATION OF MILITARY DIS-
CIPLINE.

2. SITUATION IN VARIOUS FIRMS IS AS FOLLOWS:

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A) PAN AMERICAN IS PRESENTLY SERIOUSLY CONSIDERING TERMINATION OF ITS TWO FLIGHTS A WEEK TO PORTUGAL AND CLOSURE OF ITS FACILITIES. COST OF SEVERANCE PAYMENTS FOR ITS 50 EMPLOYEES IS KEY FACTOR. BECAUSE LABOR CONTRACT CALLS FOR THREE MONTHS PAY PER YEAR OF SERVICE FOR MOST PAN AMERICAN WORKERS, FINAL BILL COULD BE AS HIGH AS \$3.7 MILLION. AT LEAST EIGHT PERSONS HAVE 35 YEARS OF SERVICE AND AVERAGE EMPLOYEE WOULD RECEIVE EQUIVALENT OF FOUR YEARS PAY. FIRM IS LOSING BETWEEN \$500,000 TO \$1 MILLION ON PORTUGUESE OPERATION ANNUALLY.

B) GENERAL INSTRUMENT LUSITANA (GIL) OFFICIALS ARE ALSO SERIOUSLY DISCUSSING CLOSURE. WORKERS HAVE AGREED TO TWO WEEKS LAYOFF WITHOUT PAY AT END OF BOTH NOVEMBER AND DECEMBER. ALSO AGREED TO FOREGO CHRISTMAS BONUS. HOWEVER, \$12 MILLION FINE IMPOSED BY GOP FOR ALLEGED CUSTOMS VIOLATIONS AND INABILITY OF GIL OFFICIALS TO GET SATISFACTORY HEARING FROM GOP MAKES GIL FUTURE UNCERTAIN.

C) U.K.-CITIZEN OWNER OF DODGE CORK, WHICH IS JOINT VENTURE WITH U.S. INTERESTS, NOTES THAT LABOR UNREST AMONG HIS 100 WORKERS IS WORSE THAN EVER. LACK OF COOPERATION HAS REACHED SUCH A POINT THAT NEWLY-ELECTED WORKERS COMMISSION EVEN REFUSED TO SEND SAMPLES OF PRODUCTS TO POSSIBLE FOREIGN PURCHASERS.

D) ITT - BANKS ARE PROVIDING CREDIT TO STANDARD ELECTRICAL (SE) FOR OPERATING EXPENSES. PAYMENT DELAYS TO SE ARE SO EXTENSIVE THAT BANKING SYSTEM MUST FINANCE \$8 MILLION IN RECEIVABLES MONTHLY. SE ALSO OWES APPROXIMATELY \$14 MILLION FOR RETROACTIVE SALARY PAYMENTS. SE, HOWEVER, STILL MEETING MONTHLY SALARY BILL FROM CASH FLOW. LABOR WORKERS HAVE AGREED TO REDUCED MONTHLY SALARIES. SOME OF THEIR SALARY BEING PAID BY BANKING SYSTEM. ABOVE INFO ON ITT CAME FROM KNOWLEDGEABLE NON-ITT SOURCE).

E) FACEL, AN ELECTRONICS ASSEMBLY PLANT EMPLOYING 500, REPORTS THAT LABOR UNREST ON SHOP FLOOR IS WORSE THAN AT ANY TIME SINCE APRIL 25.

3. ONE OPTIMISTIC NOTE WAS REPORT THAT A PHARMACEUTICAL FIRM HAS HAD ITS OVERDRAFT FACILITIES EXTENDED SIGNIFICANTLY.
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4. ALSO INCLUDED ON AGENDA WAS BRIEFING ON ACTIVITIES OF LUSO-AMERICAN CHAMBER OF COMMERCE BY ITS GENERAL MANAGER. HE NOTED CHAMBER'S PLANS TO AFFILIATE WITH U.S. CHAMBER AND SEVERAL FIRMS RESPONDED WITH SHOW OF INTEREST IN BECOMING MEMBERS UPON AFFILIATION.
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